

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 USIA-15 PRS-01

DRC-01 /169 W

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P 262255Z JUN 74

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC PRIORITY 3500

LIMITED OFFICIAL USE GUATEMALA 3447

E.O. 11652: N/A

TAGS: EGEN, GT

SUBJECT: OIL DEVELOPMENTS

1. PRESIDENT ARANA WENT ON NATIONAL TELEVISION MONDAY EVENING JUNE 24 TO ANNOUNCE DISCOVERY OF PETROLEUM BY SHENANDOAH OIL CO. ON WEISSENBERG PETROLEUM CONCESSION NEAR MEXICAN BORDER. PRESIDENT, AIDED BY THE DIRECTOR OF THE BUREAU OF MINES AND HYDRO-CARBONS JORGE GODOY, STATED THAT GUATEMALA NOW HAS CAPACITY TO PRODUCE 4000 BARRELS/DAY BY COMBINING OUTPUT OF AN OLD WELL AT LAS TORTUGAS AND NEW WELL, RUBEL SANTOS I ABOUT 20 KNS EAST OF LAS TORTUGAS. PRESIDENT, WHILE ADMITTING NEED FOR FURTHER EXPLORATION AND LARGE ADDITIONAL INVESTMENTS, STATED THAT GUATEMALA NOW ASSURED A SUPPLY OF PETROLEUM IN THE NEAR FUTURE (A CORTO PLAZO). GODOY HINTED THAT GUATEMALA COULD POSSIBLY BE A NET EXPORTER OF PETROLEUM IN A SHORT TIME.

2. MORNING PRIOR TO PRESIDENTIAL ADDRESS AMBASSADOR BRIEFED BY SHENANDOAH OFFICIALS KENNETH HALL AND ROBERT LEE ALONG WITH COMPANY'S GUATEMALAN ATTORNEY ANTONIO CARRERA. WHILE DISCOVERY WAS ENCOURAGING, SHENANDOAH OFFICIALS EXPRESSED VERY LIMITED OFFICIAL USE

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GUARDED OPTIMISM AS TO ITS LONG RUN SIGNIFICANCE. DRILL STEM

TESTS AT RUBEL SANTOS I TO A DEPTH OF 5200 FEET INDICATED SOME HIGH GRAVITY RESERVES BUT PRODUCTIVE INTERVALS ARE VERY THIN AND OIL IS OF HIGH SULPHUR CONTENT. AT LEAST THREE ADDITIONAL WELLS MUST BE DRILLED TO GREATER DEPTHS TO ASCERTAIN MAGNITUDE OF RESERVOIR.

HALL ESTIMATES THAT AT LEAST NINE MONTHS NEEDED TO DRILL OTHER WELLS WITH LUCK IN FINDING A NEW RIG. NO DECISION AS TO COMMERCIAL VIABILITY OF RESERVES CAN BE MADE UNTIL OTHER WELLS ARE COMPLETED. IN REGARD TO ACTUAL PRODUCTIVE POTENTIAL SHENANDOAH OFFICIALS ESPoused VERY CONSERVATIVE VIEW. OIL LOCATED IN RELATIVELY INACCESSIBLE REGION AND LONG PIPELINE WILL BE NECESSARY TO EXPLOIT IT IF PROVEN TO BE COMMERCIALLY FEASIBLE RESERVOIR. SECOND, NO REFINERY FACILITIES EXIST IN GUATEMALA FOR REFINING CRUDE OIL. THEREFORE GUATEMALA STILL LONG WAY FROM ACTUAL PRODUCER STATUS ACCORDING TO HALL. (COPY OF TRANSLATION OF FORMAL SHENANDOAH PRESENTATION TO GOG, AS REQUIRED BY PETROLEUM CODE, BEING POUCHED).

3. HALL EMPHASIZED SHENANDOAH'S DESIRE TO AVOID EXAGGERATED REPORTS SUCH AS SURROUNDED LAS TORTUGAS TESTING WHICH HAD RESULTED IN NEGATIVE PUBLICITY FOR ALL CONCERNED. HE EXPRESSED LACK OF CONFIDENCE IN THE TECHNICAL CAPABILITIES OF GODOY AND ASSOCIATES. REPORTED THAT SHENANDOAH HAD BRIEFED THE PRESIDENT THEMSELVES ABOUT TESTS AND OFFERED THEIR ASSISTANCE TO HIM IN PREPARING HIS SPEECH TO AVOID TECHNICAL MISUNDERSTANDINGS.

4. PRESIDENTIAL OVERSTATEMENT OF THE FACTS SUGGEST THAT SHENANDOAH OFFER TECHNICAL ADVICE EITHER NOT ACCEPTED OR NOT HEeded. ARANA'S DESIRE TO EXAGGERATE SIGNIFICANCE OF OIL UNDERSTANDABLE GIVEN POLITICAL AMBIENCE. OIL DEVELOPMENTS WERE CAST IN CONTEXT OF YET ANOTHER ADVANCE OF ECONOMIC NATURE ACHIEVED BY ARANA ADMINISTRATION (EXMIBAL PROGRESS AND PURCHASE OF EMPRESA ELECTRICA CITED AS OTHER EXAMPLES). PREDICTABLY, SPEECH HAS SET OFF RASH OF SPECULATIVE NEWSPAPER REPORTS INCLUDING A STORY OF CONTRABAND TRADE IN CURDE BEING CARRIED OUT BY THE OIL COMPANIES IN ALTA VERAPAZ.

DECONTROL 6/26/76.
MELOY

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Message Attributes

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